JANUARY 23, 1947

Town Meeting

BULLETIN OF AMERICA'S TOWN MEETING OF THE AIR

BROADCAST BY STATIONS OF THE AMERICAN BROADCASTING CO.

Can We Have a 25% Wage Boost Without Raising Prices?

Moderator, GEORGE V. DENNY, JR.

Speakers

ROBERT R. NATHAN — HAROLD E. STASSEN

Interrogators

JAMES B. CAREY — EMERSON P. SCHMIDT

(*See also page* 15)

COMING

—*January 30, 1947*—

How Can Atomic Energy Be Used and Controlled?

Published by THE TOWN HALL, Inc., New York 18, N.Y.

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THE BROADCAST OF JANUARY 23:

"Can We Have a 25% Wage Boost Without Raising Prices?

THE BROADCAST OF JANUARY 30:

"How Can Atomic Energy Be Used and Controlled?"

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Town Meeting

BULLETIN OF AMERICA'S TOWN MEETING OF THE AIR

GEORGE V. DENNY, JR., MODERATOR

JANUARY 23, 1947 VOL. 12, No. 39

Can We Have a 25% Wage Boost Without Raising Prices?

Announcer:

Friends, it's Town Meeting time—time for your favorite radio forum, America's Town Meeting of the Air, brought to you each week by Town Hall, New York, and the American Broadcasting Company.

Two weeks ago, when we discussed the question "Should We Have Labor-Management Courts To Settle Labor Disputes," we offered a prize of a $25 United States Savings Bond for the best 500-word letter on this subject judged on the basis of its originality, practicability, and constructiveness. Your entries revealed many useful and effectively written suggestions.

Our committee of judges consisting of three Town Hall trustees has awarded a $25 United States Savings Bond to Nathaniel H. Jones, 11 Broadway, New York City.

Although we do not offer such a prize every week and are not offering it in connection with this week's program, we always welcome your opinions on our discussions and your suggestions for future Town Meeting subjects. Address your letters to Town Hall, New York 18.

Now we present our moderator, the President of Town Hall, New York, the founder of America's Town Meeting of the Air, Mr. George V. Denny, Jr. Mr. Denny. *(Applause.)*

Moderator Denny:

Good evening, neighbors. From High Point, North Carolina, one of the three great furniture producing centers of the country and in connection with the first Southern Furniture Mart held here since the war, your Town Meeting brings you a discussion of one of the most fundamental questions before the country today—"Can We Have

a 25 Per Cent Wage Boost Without Raising Prices?"

It is particularly appropriate that we discuss this question here as North Carolina is rapidly becoming a thriving industrial state, and in our audience here tonight are many representatives of the furniture industry from all over the country.

Also, as the *High Point Enterprise* this afternoon points out editorially, High Point has about the same number of Republicans as New Dealers. I don't know how they made the count but there it is in print.

Now, my friends, unless we, the people, including both labor and management, Democrats and Republicans, New Dealers and non-New Dealers, understand the facts and what they mean with respect to this question, our whole economic system is endangered.

Mr. Robert Nathan, economist, who has made a special survey and report for the C.I.O. on this question, and Mr. James B. Carey, secretary-treasurer of the C.I.O., contend that the answer is an emphatic, "Yes."

With equal emphasis, Mr. Harold Stassen, former Governor of Minnesota, candidate for the Republican nomination for president of the United States in 1948, and Mr. Emerson Schmidt, director of economic research for the United States Chamber of Commerce say that the answer is, "No."

There's an old saying that you can prove anything by statistics. But like most generalizations, this is an over-simplification. As human beings, we are not yet infallible, and I am sure that no one of our speakers here tonight lays claim to infinite wisdom. Each one is bringing his knowledge and best judgment to bear on this vitally important question in an attempt to help us understand it. We cannot afford to do prejudiced thinking about this topic.

Now just because you happen to be a member of management or sympathetic to management's position in this controversy, that's all the more reason why you should listen with an open mind to what Mr. Nathan has to say.

If you happen to be a member of the C.I.O. and your natural sympathies are with Mr. Nathan and Mr. Carey, you owe it to yourself and the welfare of the country to listen with an open mind to Mr. Stassen's and to Mr. Schmidt's views. This is the American way, this is the Town Meeting way.

Insofar as possible, they have agreed in advance about the basic facts and statistics. We will spend time disputing the validity of the facts. The argument centers around the meaning of these facts with respect to the action that is proposed—namely, a 25 per cent wage boost.

You and I know and so do our speakers that a $5 bill buys considerably fewer groceries today than it did a year ago. We don't need statistics to tell us the prices of practically everything we need have advanced sharply since V-J Day. But what should we do about it?

Well, let's hear from the experts, first, from Mr. Robert Nathan himself, economist and author of the widely discussed *Nathan Report.* Mr. Nathan. *(Applause.)*

Mr. Nathan:

Mr. Denny, I want to make some points very clear. As to simple arithmetic, the answer to the question presented is definitely, "Yes." There is no doubt that the very high level of profits today could permit an average wage boost of 25 per cent without raising wages and still leave good profits for American corporations.

As to policy, there are a number of factors that require special attention. I know, as well as critics of our *Report,* that not every industry nor every firm with each industry is in the same profit position and it was so stated clearly in the published *Report.* Also I know that immediate substantial reduction in our prices would be very desirable. I wish to highlight all these matters in considering this vital issue tonight.

I am in favor of profits. Being in business myself, I know that profits are necessary in a free enterprise system. However, when profits get too high, it isn't good for business, it isn't good for labor or anyone else. It usually represents the storm warning of a break in business.

I believe the greatest threat to our free enterprise system lies in depression and unemployment, and we must overcome that threat. I think Governor Stassen also knows of this threat and the answer does not lie in putting our heads in the sand.

Let us look at a few simple, true figures. In the final quarter of 1946, the profits of all American corporations were being earned at an annual rate of approximately 25 billion dollars. This estimate is confirmed by *Business Week* magazine and other business publications, of which many are conservative.

In manufacturing corporations alone, the rate of earnings at the end of 1946 were in excess of thirteen billion dollars per year. After we take off corporate taxes, profits of all corporations are now 50 per cent higher than at the peak of the war. The rate of return on investment is three times the 1936-39 rate, and one and three-quarter times the 1929 boom rate.

The profits for manufacturing corporations clearly show they can raise wages 21 per cent, or a total of 5.1 billion dollars and still earn

7 per cent on their investment, and double—*double*—their 1936-39 average profits.

Earnings of corporations in trade and service industries have risen even more than those engaged in manufacturing. Profits in non-corporate business have probably been equally favorable.

If manufacturing industries can afford a 21 per cent wage increase, we believe that an over-all 25 per cent could be granted without raising prices and still leave good profits.

Now you may ask, how can this work since profits differ between industries and among companies within each industry?

Some concerns could raise wages more than twenty-five per cent without increasing prices, or they could grant 25 per cent wage increases, reduce their prices, and still earn good profits.

Now, true, some companies could not grant a 25 per cent wage increase without increasing prices in order to get a reasonable profit, but on the average—and I want to emphasize this—on the average, it could be done as the over-all profit-wage figures clearly demonstrate.

Wage increases will and are varying among industries and companies. A lot of settlements are being made today peaceably with variations among industries and companies.

I personally believe that peaceful settlements in these labor disputes can be achieved in coming months on the basis of honest consideration of the facts in each case.

I believe substantial wage increases are necessary. The basic present economic picture is unbalanced and unsound. The break in the stock market and all this talk of a likely recession later in 1947 isn't eye-wash. The irresponsible pushing up of prices in recent months has resulted in as much inflation since June as we had during the entire war—in six months as much as four years before.

This inflation has seriously cut the buying power of the worker's pay envelope. It has brought an unprecedented, spectacular rise in profits, and I think it's brought us to the brink of another "bust." It is harmful to business as well as labor.

Well, we might say, "Forgive us, for we know not what we do." But we *do know* what we're doing. Pricing policies of business reflect the attitude of taking all the market can bear, and let the Devil take tomorrow.

Intelligent businessmen know it's dangerous and it can't last. Most businessmen are honest and they don't like it, but they figure profiteers won't behave, so they might as well get their share while the getting's good. I think it's

shortsighted. It means "boom today and bust tomorrow."

One of our big business leaders made the very scintillating suggestion that we have a year's moratorium now on wage increases. This reminds me—and has about as much sense, I think—of the wrestler who has a headlock on his opponent, and he's beaten the opponent's brains out, and he says, "Look, we're both tired, let's keep this position for ten minutes." That would be some fun for the opponent, wouldn't it?

This is the old theme of letting things alone, and if bad business comes, just wait until good times come emerging around Hoover's illusive corner and everything will be all right.

I think thinking men cannot sit idly by and permit unemployment and bankruptcy to carry us all down the drain. Of course, there are two corrections that could be made. One is to reduce prices; the other is to increase wages without increasing prices.

I would certainly like to see prices fall immediately and substantially, but I don't think they will, short of a recession. Never in American history have we had a smooth, gradual drop in prices after severe inflation. Prices of some luxury items have fallen, but they are few and far between. Most people, I suppose, including those listening to us tonight, get little comfort out of lower prices for minks and diamonds.

I take my hat off to Mr. Ford for cutting prices, but yesterday's announcement by General Motors and the recent very substantial increases in steel prices hardly warrant the conclusion that prices will go down quickly and generally short of a bad bust in business. The indexes are still going up.

Is unemployment and bankruptcy the price you and I must pay to restore some balance in business? It seems to me rather amusing and ironical to listen to the National Association of Manufacturers and the Chamber of Commerce and that great 1880 Liberal, Senator Taft, suggest that we shouldn't raise prices, but we should keep the way open for lower prices—these suggestions by the same people who by their defeat of OPA open the way for inflation.

Their pleading reminds me of the story of the boy who murdered his mother and father. Then he went into court and asked for mercy because he was an orphan. *(Laughter and applause.)*

In the absence of a real price decline, I think higher wages are needed now to ease the burden which inflation has piled on the backs of our workers. Business is enjoying huge profits and they are afraid of a recession and, therefore, I sincerely believe they will absorb wage increases out of

profits and will not further raise prices.

Therefore, wage increases now will mean sustained and good profits for business, higher standards of living for the masses, and a real demonstration that we are determined to maintain sustained high levels of employment and free our system and to avoid "boom and bust!" *(Applause.)*

Moderator Denny:

Thank you, Mr. Nathan.

When a person is a candidate for public office, especially if his aim is the highest public office in the land, this fact is supposed to have a restraining influence on the statements of that person, especially with regard to highly controversial questions.

Our next speaker is an outstanding exception, for he has participated fearlessly and courageously at many Town Meetings in the past, and tonight he takes a clear-cut position in opposition to Mr. Nathan on this highly controversial question, "Can We Have a 25 Per Cent Wage Boost Without Raising Prices?"

The Honorable Harold Stassen, former Governor of Minnesota, and candidate for the Republican nomination for President of the United States in 1948. Mr. Stassen. *(Applause.)*

Mr. Stassen:

Thank you, Mr. Denny, Mr. Nathan, fellow citizens. I think almost everyone in America realizes that Mr. Nathan's proposal is impossible, and that what we need in America now is not to attempt a great major, general increase in wages in this impossible manner, but rather to build up our production, to reach out to bring up the wages of the workers who have been lagging behind, like the teachers, and the firemen, and the white-collar workers *(applause)* and to concentrate on bringing down the prices of food and of clothing in America. *(Applause.)*

The only claim that the answer should be "yes" to the question of the evening, which is seriously advanced, is that of Mr. Nathan and his associates. They present this claim through a report which I consider to be based on juggled arithmetic. It has a shifting basis to the report and, as an example of it, he refers this evening to "thirteen billion dollar rate of profits at the end of the year in manufacturing corporations." The fact of the matter is that that's taking a few months at the end of the year before taxes. But actually, the manufacturing corporations of America, for the whole year 1946, only had six billion dollars of profits, and that is a reasonable limited profit and nothing out of which you could pay 25 per cent in wage increases.

Now this shifting basis of the report and the disconnected arguments which are made of various

kinds of attacks on profits, and the bland over-all conclusions, I think make it a very fallacious and deceptive report. I think the workingmen and women of America have recognized the unsound nature of these claims on a basis of their experience in the last year. I noticed in the newspapers, just the other day, that the American Federation of Labor in its publications has branded the report as erroneous and unsound for American labor.

In fact, I tried out some of this type of arithmetic of the report on my 11-year-old son Glenn, recently. I said to Glenn, "If you had twenty pennies and you gave ten to James, how many would you have left?"

He said, "Ten."

I said, "If you had twenty pennies and you gave ten to John, how many would you have left?"

He said, "Ten."

I said, "If you had twenty pennies and you gave ten to Robert, how many would you have left?"

He said, "Ten."

Then I said, "Well, then that means if you had twenty pennies, you could give ten each to James, and John, and Robert, and you'd still have ten left.

He laughed and he said, "Oh, no, it wouldn't."

He said, "You're just trying to fool me, dad. You cannot give the same ten pennies to three different boys at the same time and still have ten left."

Yet as I see it, when you strip the report of Mr. Nathan and his associates of its vague and shifting language, that's exactly the kind of arithmetic that it uses.

It refers to the total profits of 1946, and it says they're too high, and that you could grant a 25 per cent raise to the workers in manufacturing plants and the profits would still be high enough.

Then it refers to the total profits of 1946, and it says that prices and the cost of living could come down, and the profits would still be high enough.

It refers to the total profits of 1946 and to the fact that the wages of many workers have not risen appreciably since the war. And it says these can be brought down and still the profits would be high enough.

As I see it, in analyzing the arithmetic of the report, it attempts, in effect, to use the same profits over and over again in a manner which just cannot be done.

The plain facts are, and I think Mr. Nathan will agree to this, that the total profits in all manufacturing corporations, in the entire year 1946, taking good months with bad months, totaling up the year, the total profits of all manufacturing corporations was about six billion dollars. The total of all manufacturing wages and earn-

ings in 1946 was about twenty-five billion dollars.

Thus, even on an over-all basis a wage raise of 25 per cent, without a change in prices, would wipe out practically all the manufacturing profits made in 1946. It, in fact, could not be done without putting totalitarian type of controls on American business and even then if it were done, it would place nearly every manufacturing company in the Nation in bankruptcy and cause great unemployment.

Manufacturing profits in 1946 as a whole were not too high. If we take up specific facts of the manner in which a major wage rise of 25 per cent would cause an increase in prices, it's even more clear.

Certainly, if there is to be a general wage increase, the railroad workers should get the raise. This would mean that railroad rates would need to be raised, as the railroads are not now making the kind of profits to have a margin. This raise in railroad rates would reflect in the cost of all the products and materials in America.

Clearly, then, if there were to be a general raise, it should also go to the coal miners, and this would mean a higher cost of coal, which would affect all prices.

So it would go for each product in much the same manner of the actual experience of this past year.

You cannot calculate the effect of a general wage rise by simply adding up the increases in the wages in that one company, because in due course it reflects throughout the economy and increases the cost of materials, and of parts, and of transportation, and of local taxes, and a corresponding price rise is inevitable.

What we need to do in America, as I see it, in these next six months, is to stand steady and maintain high production with no big strikes and with greater efficiency—to help bring up the dollar wages and the earnings of the millions of workers who have not had substantial raises since the war.

The low teachers' salaries are a national scandal. *(Applause.)* The firemen and the policemen and the clerks as a whole in the country are lagging behind. Pensioners and others on fixed income are in the squeeze.

Furthermore, we should refuse to buy articles that are priced too high and help bring those down. But as prices come down—and it is not only minks and furs that are coming down—you see butter, and meat, and food, and women's clothing beginning to come down in the effect of a free market. On that basis, negotiating out reasonable increases in wages where they can be made, we have the best chance of avoiding a depression and going on on a high rate contributing to world trade and better conditions in America. *(Applause.)*

Moderator Denny:

Thank you, Mr. Stassen. Well, I can see this is not going to be an easy question for us to understand and Mr. Nathan is chaffing at the bit to get at Mr. Stassen.

In the meantime, we'll have to hear from our first special interrogator who is Mr. James B. Carey, secretary-treasurer of the C.I.O. Mr. Carey. *(Applause.)*

Mr. Carey: Mr. Denny and friends. Besides throwing some uncomplimentary adjectives at Mr. Nathan's arithmetic, which I shall with confidence let Mr. Nathan hurl back to Mr. Stassen, Mr. Stassen has built his case on what may be called a childish story, plus a general program which sounds good if it will work, and one statistic. That statistic disregards the fact that wages are a cost before taxes, not after.

Mr. Stassen, as part of your program, you suggest that people should refuse to buy articles that are priced too high and shop around carefully—excellent advice anytime. However, the workers spend their earnings and even their savings now for absolute necessities, and since the substitutes are also high priced, are you suggesting that they tighten their belts and go on a hunger strike?

It is encouraging to note that Mr. Stassen is for some wage increase. That's progress. But I suspect that school teachers, like other workers, will continue to receive scandalously low wages until they themselves, do something about it. It would be unfortunate if they, or we, relied on your promises, Mr. Stassen, rather than performance.

As to your children's story, Mr. Stassen, I, too, have children and they play with pennies. Young as my children are, they realize what would occur if they locked their respective supply of pennies away in the drawer. They trade them back and forth for toys and favors and each believes he profits on each exchange.

But if I, as head of the family, were to take off a steady reserve of profit in this penny deal, commerce would stop, just as it does in our economy when profits are too high—prices too high—for workers to buy the things they produce because their wages are too low. *(Applause.)*

Mr. Denny: Thank you, Mr. Carey. Now your questions for Mr. Stassen.

Mr. Carey: Mr. Stassen, when you stated, "Dollar wages can and will be raised by collective bargaining as production rises, industry by industry, and plant by plant, in steps averaging 10 per cent," do you mean that, since production in 1946 was 50 per cent higher than the 1939 pre-war defense level, workers on an average should have received five 10 per cent increases in real wages, or 50 per cent over the 1939 levels?

Mr. Stassen: Of course not, Mr. Carey. As you know, production went up 50 per cent but part of the going up meant that we put 8 million more people to work. That's the false basis of your whole approach. You are ignoring the fact that from 1936 to 1939 we had about 8 million unemployed in America, and I'd like to see profits higher with the workers working, rather than 8 million unemployed and then get the increase in wages on the productivity as they work. *(Applause.)*

Mr. Carey: What will we use, Mr. Stassen, as an incentive for workers to increase their productivity if, as has been indicated they increased production 50 per cent and you're not in favor of giving the increase in wages they deserve as a result of their increased efforts.

Mr. Stassen: You have twisted my answer in the same way the *Nathan Report* twists facts, Mr. Carey. *(Applause.)* What I said was that the workers of the country should get in fact the 50 per cent increase and more, but that does not mean that the individual worker gets 50 per cent increase. It means the workers of the country as a whole, as 8 million more of them are working, together get 50 per cent and more wages.

In fact, the statistics are that since 1936-39, the total of wages paid in this country, compared to 1946, has gone up more than 50 per cent so that the real statistics of the United States Government more than answer your argument. The total wages—I think Mr. Nathan will confirm this—the total wages paid in 1946 are more than 50 per cent above total wages paid in 1936-39.

Mr. Carey: Mr. Stassen, I'm speaking about real wages and, in fact, the wages of workers in December, 1946, will only purchase four-fifths of what the wages of workers would in January, 1946. So let's don't twist facts. As for juggling arithmetic, Mr. Stassen, I ask a question. Is it not true that wages are a cost before taxes, not after?

Mr. Stassen: You have asked two questions. The answer to the second one is, of course, "Yes."

Mr. Carey: Why, then, Mr. Stassen, do you, in using statistics, say that profits after taxes of six billion dollars would not meet the demands of a 25 per cent increase in wages instead of using the profits before taxes?

Mr. Stassen: Because I was answering the charge that the profits of the manufacturing corporations were too high. I pointed out the fact that when Mr. Nathan used the 13 billion dollar figure in referring to corporation profits, that was not what they had realized in 1946—that in fact all the manufacturing corporations of America have realized as profits after taxes during 1946, the whole

calendar year, about six billion dollars. That's not too high, if we want a resilient, dynamic, American economy moving on into the future.

Mr. Denny: Thank you, Mr. Stassen, and Mr. Carey.

Now, it's time for the analysis by another economist, Mr. Emerson Schmidt, of the U. S. Chamber of Commerce, who has made a careful study of Mr. Nathan's report. Mr. Schmidt. *(Applause.)*

Mr. Schmidt: The C.I.O. figures remind us of this: 90 per cent of all deaths occur in bed, therefore, to go to bed is very dangerous. *(Laughter and applause.)* Where is the joker? At war's end, you were told that wages could rise 25 per cent without price increases. You now know better.

Wages are not paid out of profits, but out of productive work and sales. In the past, major wage jumps were offset by closely corresponding price increases.

Higher wages push up costs, and pull up prices, unless they lead to a collapse of markets.

Wages constitute over 80 per cent of manufacturers' costs. Unless offset by a rise in efficiency, wage hikes must be reflected in higher prices.

It is the function of competition to reduce prices and to whittle down temporary abnormal profit. Then, you, as consumers, can get the benefit of increased output.

If the C.I.O. plan succeeds, you will continue to pay high prices. It would force increased wages to those who have already gotten the largest increases, increasing the disparities suffered by teachers, clergymen, government workers, and others on fixed incomes.

Raising wages according to profits of different companies, as proposed, means that two employers, side by side, one profitable, and the other unprofitable, would pay greatly different wage rates, increasing inequities, creating still more chaos and unrest. Haven't we had enough?

In 1909, profits were a bigger per cent of national income than now. Also, in 1912 and 1925—yet, prosperity continued.

The Nathan C.I.O. *Report* does us great harm by saying profits are bad—a kind of a throw-back to Karl Marx.

Profits, too, are purchasing power. Since war's end, business has borrowed many billions of dollars, indicating that more funds are required to finance expanding production.

If we destroy profits as a production guide, we will have to go to Washington directives and orders. The wage motive will cause a man to take a job, if the profit motive first creates the job.

Now I'd like to ask Mr. Nathan if the several wage jumps since 1933, totaling over 150 per cent, have not reduced profits to what

you think is a proper size, why should you, tonight, expect anyone to believe your proposed jump of 25 per cent wages will now diminish them to the right proportion?

Mr. Denny: Thank you, Mr. Schmidt. Mr. Nathan.

Mr. Nathan: I'm not quite sure of the question. But, first of all, let me say this: that the rate of profits today on investments are higher than at any period we have on record.

Now, I'm again going to hit Governor Stassen on this and hit him hard. I'm not talking about the part of '46 when you had depression and unemployment; I'm talking about the profitable high level of operation at the end of the year.

If he wants to be negative, and defeatist, and pessimist, and consider a period when you have strikes and low levels of production as in the first half as normal, that's his privilege. I am more optimistic about America.

Now, I say that today profits are too high, and I think business is going to lose thereby, because they are going to cause a bust.

I like to see profits. I think profits are necessary and desirable, but I don't like to see anybody eat so much that they commit acute indigestion and kill all of us with it.

Mr. Schmidt: A very good speech, but you didn't answer my question, Mr. Nathan. *(Laughter and applause.)* I'll have to repeat. If the several wage jumps since 1933, totaling over 150 per cent, have not reduced profits to what you think is proper size, why should you expect, here tonight, anyone to believe that your proposed jump of 25 per cent will now diminish them to the right proportion?

Mr. Nathan: All right. Now, first of all, I think that the profit ratio to wages, in the first half of '46, or say in '45, even in the first half of '46, the profits, after taxes, were still higher than the war peak. But now, what happened in the last six months? You have had this crazy wild inflation taking advantage of a shortage of supply and getting rid of OPA too quickly.

Personally, I think that we're heading toward some real bust in business, and that's when I think the adjustment will come, unless business wakes up before then.

Mr. Schmidt: He certainly didn't answer the question. *(Laughter and applause.)* He hasn't got an answer, so I'll give him another one. Supposing, Mr. Nathan that the C.I.O. wins its five or six billion dollars portal-to-portal wage increases, and so on, what will happen to your general plan?

Mr. Nathan: Listen, there's no question about the fact that if you

THE SPEAKERS' COLUMN

ROBERT R. NATHAN—Chosen one of the ten outstanding young men in the United States by the Junior Chamber of Commerce in 1940, Mr. Nathan is also a former deputy director for the Office of War Mobilization and Reconversion.

Young in years, Mr. Nathan who was born in 1908, has a wide background of economics. He has taught at the University of Pennsylvania, been an economist with the U.S. Department of Commerce, and assistant director of research for the Pennsylvania State Emergency Relief Board.

From 1937 until 1940, Mr. Nathan was a consultant on state income studies made by the National Resources Planning Board. For two years, he was chairman of the Planning Committee of the War Production Board. He was acting director of the United States-United Kingdom combined Production and Resources Board. In 1945, he was made deputy director for reconversion, Office of War Mobilization and Reconversion.

In 1943, Mr. Nathan became a private in the United States Army. He has written several books and many magazine articles.

HAROLD EDWARD STASSEN—A former Governor of Minnesota but not at present in public office, Mr. Stassen has already declared that he will seek the Republican nomination for President in 1948.

Mr. Stassen was born near South St. Paul in 1907. In 1929, he received both a liberal arts degree and a law degree from the University of Minnesota. He opened a law office in South St. Paul, and a year later became county attorney, a position he held for eight years. In 1938, he became the youngest Governor ever elected in Minnesota. He was reelected twice but in 1943, resigned to enter the U. S. Navy. He was an aide to Admiral Halsey and was later appointed assistant chief of staff with the rank of lieutenant commander. He was cited for outstanding duty in the Second Battle of Philippine Sea, October, 1944.

Commander Stassen was one of the eight official U. S. delegates to the San Francisco Conference of the United Nations in 1945. In November 1945, he was released for inactive duty. Mr. Stassen has been an outstanding member of the Republican Party.

JAMES BARRON CAREY—One of eleven children, James Carey was born in Philadelphia in 1911. At 14 he started to work after school and during vacations, but continued his studies at the Glassboro (N. J.) High School until his graduation. Then in night classes at Drexel Institute, he studied electrical subjects and engineering, and at the University of Pennsylvania, business management and finance.

Mr. Carey's first full-time position was with the Philco radio laboratory, doing continuity testing, trouble shooting, inspecting, etc. During the five years he was with this company he was active in the organization of a labor union at Philco and served as vice president of the Philadelphia Central Labor Union. In December, 1933, at the first convention of local unions in the radio and electrical industry, Mr. Carey was elected national president and delegate to the American Federation of Labor in Washington.

In July, 1934, he was appointed general organizer for the United States by the A. F. of L. Executive Council. He resigned from this position in 1935. In March, 1936, he was elected president of the United Electrical and Radio Workers of America—the youngest leader, at that time, of a nation-wide labor organization. During 1936, the United Electrical and Radio Workers joined the Committee for Industrial Organization (now the Congress of Industrial Organizations) and at the first convention of the new group in November, 1938, Mr. Carey was elected secretary, a position he held until 1942 when he was made secretary-treasurer.

EMERSON P. SCHMIDT—Born in Tavistock, Ontario, Canada, in 1899, Mr. Schmidt has an A.B. from North Central College (Napierville, Ill.), an A.M. from the University of Toronto, and a Ph.D. from the University of Wisconsin. He came to the United States in 1919 and was naturalized in 1931.

Mr. Schmidt has taught economics at Marquette University, University of Wisconsin, University of Oregon, and the University of Minnesota. He has been economic annalist for the Government of Alberta, economic consultant and editor of the American Legion Employment Stabilization Service, and chairman of the Manitoba Electrification Inquiry Commission.

Since January, 1943, Mr. Schmidt has been an economist for the U.S. Chamber of Commerce. Mr. Schmidt has written several books and also Chamber of Commerce bulletins.

do have large settlements on a portal-to-portal basis, obviously, it's going to reduce profits, Mr. Schmidt. If it comes out of profits, it's going to limit obviously, the amount that's unavailable for other wage increases.

Mr. Schmidt: Good, good. Mr. Nathan, aren't profits also purchasing power? Why are you against profits?

Mr. Nathan: I'm not against profit, Schmidt! I wish you'd— I say I'm for profits, but I am against what you are for and that is making crazy profits in one year and losing your shirt in the next year. That's the way we'll get rid of the free enterprise system. *(Applause.)*

Mr. Denny: Thank you, very much, Mr. Schmidt. You gentlemen have certainly laid the groundwork for an extremely interesting question period. But before we take the questions from this representative High Point, North Carolina, audience, we'll have a message from your announcer, but let's begin with a pause for a station identification.

Announcer: You are listening to America's Town Meeting of the Air, brought to you by Town Hall and the American Broadcasting Company, and originating tonight in High Point, North Carolina, where we are the guests of our special Town Meeting host committee and Station WMFR.

You have just heard Mr. Robert Nathan, Harold Stassen, James B. Carey and Emerson Schmidt discussing the question, "Can We Have a 25 Per Cent Wage Boost Without Raising Prices?"

For your convenience, we print each week the Town Meeting Bulletin, containing a complete transcript of tonight's discussion, including the questions and answers to follow. You may secure tonight's Town Meeting Bulletin by writing to Town Hall, New York 18, New York, and enclosing 10 cents to cover the cost of printing and mailing.

If you would like to have this Bulletin in a handy pocket size come to you regularly each week, enclose one dollar for 11 weeks, $2.35 for six months, or $4.50 for one year. Remember the address: Town Hall, New York 18, New York, and allow at least two weeks for delivery.

Have you organized a Town Meeting discussion group in your home, school, church, or club? New groups are being organized each week to listen to your favorite radio forum and discuss each subject immediately following this program. It's fun and it's good citizenship.

Why not organize a Town Meeting discussion group this week? It's the American way of increasing your understanding of the problems that vitally concern your welfare.

QUESTIONS, PLEASE!

Mr. Denny: We'll begin with the gentleman over here.

Man: Mr. Nathan, what will happen to the employees if they get the 25 per cent increase, and the manufacturer is not allowed to pass it along, and in six months he finds he's in the red, won't we have a lay-off of employees all over the United States?

Mr. Nathan: I certainly say that if a higher wage puts him in the red, that you'll have unemployment, you'll have bankruptcy, and you'll have a failure of the entire system. But I'm contending here tonight, folks—and as far as I'm concerned the arithmetic is simple, it's straight, and it's plain—is that you can grant these wage increases and still make good profits. Now those are the facts.

If you resulted in losses rather than in profits, I would agree with you that we should not have such wage increases, because I think that profits are necessary.

Mr. Denny: Thank you. The lady over here.

Lady: Mr. Stassen. If price increases go with increased wages, if prices come down, will wages decrease?

Mr. Stassen: No, not if they come down as the supply becomes more plentiful. It's a matter of the understanding of the way in which this American system of ours works. As we got more butter on the market, butter began to come down. As we get more women's clothing on the market, women's clothing begins to come down. You've got to have this steady high volume of production to bring down the cost of living. But if you start the disruptive process again, as last year's major demands for wages that are impossible to meet, then you start a new price spiral.

Mr. Denny: Thank you. The gentleman on the third row.

Man: This is for Mr. Carey. How can wages be increased and not prices, when profits are not inevitable and when only 67 per cent of American businesses made profits in good years?

Mr. Carey: Henry Ford had the right answer to your question. Henry Ford built an empire by reducing the cost of his product to the consumer, by giving the consumer a better product and by increasing wages. That's the answer. That's the American answer, and it can be done.

As to permitting competition to reduce the prices, why I'll have to ask the audience. Isn't it true there's more competition among consumers than there is among producers? That kind of competition raises prices. It does not lower them.

Mr. Denny: Mr. Nathan has a comment.

Mr. Nathan: I'd just like to add one comment on that. In the first place, it is pointed out that obviously wage increases ought to differ, based on ability to pay. But, secondly, just because there are some companies that are in a loss position must never mean that you can't have any wage increases, because you never would have any since even in the best of times you have some that are in a loss condition.

If you believe in the free enterprise system, you believe in competition, then the inefficients will drop out and you can't protect them. That's what those people—a lot of them—who believe in competition in words, don't believe it in practice because they keep weeping crocodile tears for the people who are the inefficient ones.

Mr. Denny: Thank you. The gentleman in the balcony, please.

Man: Mr. Schmidt. All work and no play make jack. A dull boy, Jack, doing less work, demanding more pay; may Jack have long a place to stay?

Mr. Denny: Well, thank you, for your jingle. *(Laughter.)* Send it to the local paper. All right. The gentleman on the front row.

Man: Mr. Nathan. Does the Nathan plan tend to wipe out marginal producers in a given industry to the extent that the plan brings pressure on concerns with the lowest margin of profit to pay 25 per cent? Specifically, does not the plan, simple, tangible, and grand, have the same economic effect as the depression of 1921, in which there were 20,000 business failures? If the profit situation in each plant is controlling, what is the significance of the report?

Mr. Nathan: Well, the significance of the report, sir, is to demonstrate that there is that profitability that makes wage increases possible. I want to emphasize again and again that there are not uniform possibilities in every company and every industry. Some can do more and some can do less. We make no contention, and, frankly, I would not recommend, today, that in America we have a 25 per cent increase in every instance. It would be absurd. It should vary with ability. It's true that as we get along into competition, there are going to be companies that will fail and that is going to be inevitable — maybe some will fail a little earlier if your wage demands are high.

Mr. Denny: Mr. Stassen wants to get on this, yes.

Mr. Stassen: I think that's a helpful statement that Mr. Nathan just made, and I'm pleased to hear it, because the way his report was originally presented, it was as if there could be a general wage increase of 25 per cent. Then he qualified it to averaging between the highs and the lows.

Let's make it clear that I do not

contend, and I haven't heard anyone in our position contend, that you could not make any wage increases. Businesses that are doing well, that have a good future on a basis of free bargaining should make wage increases and we should all concentrate on bringing up those that are lagging behind.

Our position is that you cannot contemplate anything near a general 25 per cent wage increase without a very serious boost in prices.

Mr. Denny: It sounds like we ought to stop this program here now if we are all agreed. *(Applause.)* What about it, Mr. Carey?

Mr. Carey: Mr. Denny, perhaps this is the first time that Mr. Stassen has heard this but it's contained in a *Nathan Report.* "These facts are descriptive of the basic general situation. They do not apply exactly to any individual industry. Obviously, the profit and wage picture must be considered separately in each wage negotiation."

Mr. Stassen, had you read the report, it would have been in that clear and simple language that it does not mean a general 25 per cent increase in pay for every worker.

It does, however, suggest, to be specific, that in the case of the Industrial Rayon Corporation, that made 363 per cent profit over and above 1945 profit, that that corporation can give at least, if not more than, a 25 per cent increase in pay and at the same time reduce prices of those products. *(Applause.)*

Mr. Stassen: Mr. Carey, I read the report and you emphasize over and over again in the report that the general situation permits the 25 per cent general increase. You have this one saving clause of language that you just read which has never been presented in any major publicity and was not mentioned by Mr. Nathan in his first report tonight.

In other words, after talking in general terms, about how everybody could get a 25 per cent wage increase and it would just be grand because we would have no increase in prices, then you turn to one specific company which is just a fraction of one per cent of American industry. Then you emphasize and you say that unless we do this we're going to have a "bust."

The plain facts of the matter are that Mr. Nathan and his associates said, at the end of the war, that unless we did certain things we'd have eight million unemployed in 1946. We didn't do those things then and we have not had the eight million unemployed. That is the plain fact of experience of 1946.

Mr. Denny: Well, we are making real progress. We ought to call on Mr. Nathan himself at this point.

Mr. Nathan: I'm just going to

say one or two words. In the first place, I hope Mr. Stassen was listening when I made my opening presentation, because I don't think he listened any more than he read the report and in our press release on the report we said "this is an over-all average picture."

Now, look, Governor Stassen, you have enough knowledge of our economic picture to know that you can't figure where we're going and what the economic situation is by looking at each little marble in each little piece. You've got to do an over-all appraisal and that's what we did in our report. We emphasized that you have to negotiate in each case.

I just want to say this that I'm very appreciative of Governor Stassen giving me that lesson that four minus two equals two but four minus two minus two doesn't equal two. But of all the foul arithmetic, I've heard tonight, is to use these profits after taxes and then say that if you gave us wage increase, it would wipe out profits when he admitted later that that isn't so.

Mr. Schmidt: You should forget what you have just heard because it's irrelevant. *(Applause and laughter.)* Let's watch when the next collective bargaining movement takes place in an industry. What happens? Does Mr. Lewis say to this coal mine, you pay 25 per cent increase, this one 20 per cent, this one 15, and this one nothing.

No, what happens is when these wage movements take place, they go across the whole economy, the whole industry, and the high cost producer must pay the increase as well, contrary to what Mr. Nathan has just tried to put over on you. *(Applause.)*

Man: My question is for Governor Stassen. Governor Stassen, you called specifically for an increase in teacher salaries. Since it is generally acknowledged that teachers' salaries cannot be raised without aid from the Federal Government, how can you advocate this without violating the first principle of your Republican Party, which is conservatism in government and reduction of government costs?

Mr. Stassen: Yes. You've made a misstatement about the Republican position. That has not been the Republican position. As a matter of fact, it is being considered by both parties as to the means by which the Federal Government can assist in this teachers' matter.

We do all need, on all levels of government, to assist in bringing up the teachers' wages. I do not agree with Mr. Nathan that it's up to the teachers themselves. The education of the children of America and the salary scales of the teachers of America is something that is the responsibility of every

citizen in America whether they're in the C.I.O. or not. *(Applause.)*

Mr. Carey: Mr. Stassen, the teacher's salary for a war year in the United States of America was $1,742 on an average, including the college teachers. For the rural teachers, teaching 60 per cent of the American children, they averaged about $900 in the course of a war year. I don't think, and I state it, that unless they're willing to get together and do something about it, all you hold out to them without any evidence whatsoever or reason for your confidence is that prices will come down. Teachers, if you want an increase in salary be Americans and stand up and seek it and get it, through collective bargaining, the only way to get the increase. *(Boos.)*

Man: Mr. Nathan. If the increase is granted, won't it disrupt our economy unless we have increasing government controls? I refer to the last paragraph of your report.

Mr. Nathan: In the first place, I frankly and sincerely hope that the Government stays out of the wage-price negotiations this year. Once you get rid of OPA control, there was no possibility of Government taking any part in the stabilization program.

As we said in that report, we think higher wages now will cushion a break and help avoid a break in business. Beyond that it's obvious that you've got to have intelligent government planning on taxes, on social security, on minimum wages, international tariff policies, etc.

Personally, I want to say here and now that I'm against regimentation, whether it be fascist, communist, socialist, or any kind. I believe in the free enterprise system, but I believe the Government does have responsibility in these broad areas of planning in taxes, fiscal policies, etc., to make this system work. I honestly think that there's a real opportunity to make it work if we'll get private management and labor to working together.

Now, may I ask, could I ask Governor Stassen a question, Mr. Denny? All right. Governor Stassen, I can't let this false arithmetic business go by because if there's any one thing, folks, that is a fact, it's a fact in this report. We have had no real questions about the facts, and I assure you that's true in all the analyses that have been made.

I just want to mention some of the arithmetic Mr. Stassen uses. He says—well, let's take his figure for the year as a whole—profits of manufacturing corporations after taxes were six billion. He could have taken it out of our report—it's in there. We don't disagree.

Mr. Stassen: In other words, you do agree that the total profits of all manufacturing corporations in America in 1946, after taxes,

was six billion dollars. Now may I ask, do you consider that to be too high?

Mr. Nathan: Just a second—

Mr. Stassen: Do you consider that to be too high?

Mr. Nathan: Yes, but I want to ask you a question—wait a minute—on our figures. *(Laughter.)* It's very essential. Let me tell you why. If manufacturing corporation profits, after taxes, were six billion, before taxes they were ten billion, because corporations pay 38 per cent. That's simple enough.

Now, if you paid wage increases of five billion, it would reduce that ten before taxes to five, they would pay the 38 per cent, and they'd have three billion left.

Governor Stassen, in his statement, said they had six billion; therefore, if they increase wages five it wipes out their entire profit. It wouldn't. It would leave them still with three billion.

But I'm not saying that's high enough. What I say is we ought to think, Governor, not of the defeatist attitude of low profits in the early half of the year. Let's look when it was good. Now is when it's good. Now is when it's unsound. Now are the profits out of which wage increases would come, not out of the low profits, say, or not very high profits of the first half.

Mr. Stassen: Your proposal now is that you take three billion dollars away from the Government in taxes and the Government can't get along without those three billion and balance the budget, which I happen to think is a good thing to do—to balance the budget.

Furthermore, on this matter of defeatism, may I point out to you that you and your associates said when the war ended that you'd have six to eight million unemployed in America, and that we'd have a very bad time in the matter of employment. I considered that to be defeatism. We felt that giving industry a proper head of steam, that you could have all the workers of America working during 1946, and that looking to the future, if you don't disrupt American industry, if the workers of America take a steady course and put on pressure for wage increases—certainly that's what the workers should do, looking for their share, but not in an unreasonable extent, not trying to reach out to an impossible degree—and seeking high production as a basis to bring down prices then all the workers of America would get a better standard of living. *(Applause.)*

Mr. Carey: Mr. Stassen, isn't it true that it is the American employers that have the decision as to what the price level shall be, that if wages go up, they have the sole authority to raise prices. They have the sole authority with regard to profits. Workers are only asking for a 50-50 break in

the determination of wages, and as for workers being reasonable, and as you put it, "seek increases in wages," should not the employers that have exorbitant profits, reduce the prices of their products because workers have to have the consuming power to buy the goods they produce?

Mr. Schmidt: Businessmen by no means determine profits. It's we, as consumers, we bid them up. In Washington, the *Washington Star,* last Sunday, carried prices of 1946 Chevrolets—$1,800, $1,900, $2,000, $2,100, whereas General Motors' own price is around $1,100 or $1,200. It is the consumer demand that is bidding up prices, and not these vicious businessmen that are simply pushing them up. *(Applause.)*

Mr. Denny: Now while Mr. Stassen and Mr. Nathan prepare their summaries, here's a message of interest.

Announcer: Well, friends, you have heard both sides of tonights' question, and in a few moments you will hear the summaries. We want to take this opportunity to remind you that on March 20 in Washington, D. C., we will originate a special Junior Town Meeting Broadcast on the important subject, "Should Public Schools Educate for Marriage and Family Relations?"

This will be the sixth of our special Junior Town Meetings, and we are searching the Nation for four high school students to participate in this discussion. The students will be selected with the aid of the national senior high school newspaper, *Our Times.*

All high school students in the Nation are invited to consult their principals or teachers of speech or English about this talent quest. Nominations must come through principals or sponsoring teachers by midnight, February 1.

Detailed information about this talent quest may be secured from the high school newspaper, *Our Times,* 400 South Front Street, Columbus, Ohio.

Mr. Denny: And here is Harold Stassen with his summary for the negative on tonight's question, "Can We Have a 25 Per Cent Wage Boost Without Raising Prices?"

Mr. Stassen: As I see it in summary now, Mr. Nathan has in effect admitted that we cannot have it because he began to name a few specific situations where he thought you could, and, that on over-all 1946 profit, for the whole year, that you did not have enough profits to do it.

I think that the important thing to emphasize is what should be done. What should be done is steady wage increases along with high productivity—bringing up the wages of those who have lagged since the end of the war, get high production, and seek to bring down in the market place the costs of

living, particularly of food and of clothing. That shift, as I see it, will take place in 1947.

This has the boom year for food and for soft goods, which came up first in sales and the durables—the hard goods, the automobiles, and so on—lagged behind, and the automobile companies and many others lost money. Now they'll start coming up in better condition, food and clothing will slip down, and we'll not have this bust. If we take this steady course, we will have a good year in 1947. *(Applause.)*

Mr. Denny: Thank you, Mr. Stassen. Now here's Mr. Nathan for his final word.

Mr. Nathan: I'm awfully sorry Mr. Stassen won't listen when I talk. I have certainly demonstrated factually and, in his charge against us, he's given no indication that these figures are not correct. The figures definitely, emphatically, do show that there are the profits in America today to justify such a wage increase.

There's no question about it and those figures stand, and they will stand, until somebody challenges them really effectively and that hasn't been done.

All this attack on this analysis has been primarily of sort of a personal or indirect nature.

Let me make just a few comments. I believe in the profit system. But I'll be darned if I believe in 1929-32 coming back again.

Mr. Stassen says '46 was a boom year. And I just felt like saying, "And '47 will be a bust year unless we have a little bit of sense about it."

I think that today prices are too high, I'd like to see them go down, I don't think they're going to go down, short of a bust.

I think that wages will be increased and I honestly think that they will be absorbed by the employers out of profit, because they can be. I, personally think we are going to have a sounder situation, and we'll keep this system of ours going and alive.

Mr. Denny: Thank you, Mr. Nathan, Harold Stassen, James B. Carey, Emerson Schmidt for helping us with this vital question.

Next week your Town Meeting will discuss "How Can Atomic Energy Be Used and Controlled?"

We've had many discussions on the atomic bomb. Next week, two scientists, Dr. Gerald Wendt, editorial director of *Science Illustrated* and author of *The Atomic Age Opens,* and Dr. Charles A. Thomas, vice-president and technical director of the Monsanto Chemical Company, will discuss the possible uses of atomic energy in the future, while Major George Fielding Eliot, military analyst and special writer for the *New York Herald Tribune,* and Harrison Brown, atomic scientist from the University of Chicago, will discuss the control of this new force.